

## **China's Opportunity for Global Leadership**

Doug Bandow

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Despite the Trump administration's economic turn inward, the U.S. continues to dominate the globe. America's economy remains freer, larger, wealthier, and more productive than ever. But China has an increasing opportunity to share global leadership.

*The Economist* recently posited a competition between the two great powers. The British publication prophesized a Chinese victory: the U.S. was the speedy hare, jumping from one challenge to the next, while the People's Republic of China was the tortoise, slow but steady—and the ultimate victor.

Yet the vision of a bilateral race misleads more than it enlightens. President Donald Trump appears to suffer from a similar bout of myopia. What he misses in waging his protectionist campaign is that commerce and trade are positive-sum activities. That is, they are mutually beneficial: both nations can win. So, too, when the PRC does more diplomatically.

China has gained ground economically in Asia, an inevitable outcome given its rising wealth and location. But that has not excluded America. Most of Asia is growing economically, providing opportunities for all.

Moreover, the U.S. economy is sophisticated, advanced, and transparent, offering unique benefits. Despite America's economic difficulties, China's potential challenges loom even larger. Inefficient state enterprises, bad banks, distorted demography, and politicized development all threaten to undermine the PRC's economic progress.

Indeed, America remains far wealthier than China. As of last year, American private wealth outdistanced that of China \$84.8 trillion to \$23.4 trillion. And the U.S. advantage is growing. It doesn't mean the PRC can't catch up. But that day seems ever further away.

Geopolitics also provides a positive backdrop: Most East Asian states are nervous about Beijing's ultimate ambitions. Although Asian consumers may not purchase more products as a result, their governments have greater incentive to ensure that the U.S. remains involved in the region.

Indeed, if there is a risk to America, it is primarily self-inflicted. The Obama administration negotiated the Trans-Pacific Partnership to expand U.S. economic opportunities, as well as limit China's political reach. A dozen other nations made sacrifices—contrary to the president's claim,

they opened their markets more than did America—to expand their ties with Washington. As a result, the TPP was seen as a diplomatic defeat for Beijing, which was not invited to join.

But the Trump administration tossed away its advantage. And even America's closest regional allies, such as Australia, have indicated that they now will turn to China to forge free trade agreements. Beijing will be only too happy to oblige.

The U.S. also has been reluctant to participate in China's Belt and Road Initiative (BRI), intended to expand transportation infrastructure involving Asia, Africa, and Europe. The Obama administration offered a tepid endorsement, while the Trump administration so far has been more critical.

There's good reason for other nations to be skeptical of the plan, announced in 2013 by Chinese President Xi Jinping. It is intended to enhance the PRC's international influence. As a political imperative, it is likely to encourage projects of dubious economic merit. Many of the target nations suffer from poor governance and economic failure.

Nevertheless, the U.S. should press China on its commitments. The PRC has won praise for its handling of the Asian Infrastructure Investment Bank. If Beijing is serious about opening the BRI process, then it should address the concerns of Western nations. For instance, China could focus the program on economics, establish mechanisms to deal with technical standards, reform discriminatory domestic practices against Western firms, and open its economy to poorer BRI nations.

In other areas, Washington should seek to accommodate rather than restrict Chinese activities. For instance, Beijing has been increasingly involved economically in Asia and Africa. Unfortunately, the so-called "China model" or "Beijing Consensus" essentially rewards authoritarian regimes, offering involvement without judgment or conditions.

But just as the U.S. found decades ago with the rise of the "Ugly American," China has faced blowback from its increasing role. In countries such as Myanmar, Sri Lanka, and Zambia, China has been the target of public protests and political campaigns.

Moreover, Beijing has found that aid and investment are at best imperfect vehicles for winning the geopolitical loyalty of other nations. Last year the Philippines' mercurial Rodrigo Duterte famously announced a shift toward the PRC after receiving promises of assistance. But after Donald Trump's election, Manila appeared less likely to switch sides, a move that was always unlikely given America's deep ties to that nation.

China also has taken on a greater role at the United Nations. The third largest contributor after the U.S. and Japan, Beijing is entitled to increased influence. Its role has expanded in the G-20—made up of countries with the world's 20 largest economies—as well as the International Monetary Fund, which added the yuan as a reserve currency. The U.S. should encourage the PRC to pay off its remaining debts to both the IMF and World Bank, formalizing Beijing's shift to the developed world.

China is playing a greater role in other areas, such as the environment. There are good reasons to question the efficacy of the Paris accord on climate change, as well as the PRC's limited obligations under the pact. Nevertheless, Beijing's willingness to take on more international obligations is good news. China is demonstrating greater willingness to cooperate. For that, Americans and others should be thankful.

There has been much discussion of late regarding the Thucydides trap, the difficulty of reconciling an incumbent power with an ambitious rising state. The challenge is real and serious: Is Washington willing to back away from its determination to dominate China along its own border? America would never have accepted similar behavior by Great Britain or any other nation.

The U.S. and PRC shouldn't exacerbate the potential for conflict by turning economic and diplomatic relations into areas of confrontation as well. There are many opportunities for beneficial cooperation. Both Washington and Beijing should look toward the future while addressing today's problems.

*Doug Bandow is a senior fellow at the Cato Institute and a former special assistant to President Ronald Reagan.*